

**Indiana Department of Natural Resources
Efficiency Task Team Report
of the
General Government Subcommittee
of the
Government Efficiency Commission**



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GOVERNMENT EFFICIENCY COMMISSION
DEPARTMENT OF NATURAL RESOURCES TASK FORCE
REPORT ON FINDINGS AND RECOMMENDATIONS

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APPROACH

Our approach to our study of the Department of Natural Resources (DNR) included an overall analysis and study of all of the various functions within the department. It included a review of the organization chart and structure of the department, as well as an overview of its multi-faceted operations. Then the Task Force Study Group (Group) reviewed all the possibilities for areas of study and focused on those areas which we believed would have the most immediate impact on DNR and those which were most imperative to the critical mission of this department.

DEPARTMENT OF NATURAL RESOURCES MISSION STATEMENT

The mission of the Indiana Department of Natural Resources is to protect, enhance, preserve, and wisely use natural, cultural, and recreational resources for the benefit of Indiana's citizens through professional leadership, management, and education.

After screening all possibilities, we narrowed our area of study to the following areas:

1. The operations of the State Parks, Reservoirs and Historical Sites
2. Facility management
 - a. Capital improvements
 - b. Facility maintenance system
 - c. Fleet maintenance system
 - d. Deferred maintenance concerns
3. The permit processing procedures and regulations
4. Review the operations of the Indiana Natural Resources Foundation for possible recommendations for enhancement

In addition to the specific areas named above, the Group also reviewed in general the DNR overall operations as it relates to the following:

1. Use of technology
2. Overall organizational structure
3. Marketing of DNR (intrastate and interstate)

We did review the three items listed above on an overall basis. However, we determined that the focus on technology within DNR was being covered by a separate Study Group which was studying the overall use of technology within Indiana government. We reviewed the organizational structure of DNR, however, for purposes of understanding its structure, as well as have an overview of its overall operational responsibilities. We also reviewed the marketing function within DNR to gain a general understanding of the importance of this function within the department itself.

However, these last three topics were reviewed on an overall basis to provide a foundation for studying the four principal areas of study which are stated above.

Also please understand that even though the studies that were completed provide specific recommendation for continuing study, we also believe that such a large endeavor should only be an initial process of a larger on-going effort for continuous improvement within DNR. The focus of our study and analysis was relatively narrow, given the significant operations of the department; however, we believe these were areas which could provide the most critical review for purposes of our study consistent with the mission of the Government Efficiency Commission.

INTRODUCTION

INTRODUCTION

The Department of Natural Resources Task Force has spent the last six months reviewing the Indiana Department of Natural Resources (DNR) operations focusing on ways to improve effectiveness and efficiency within the Department. Over the course of our deliberations individuals within and outside DNR were interviewed and hundreds of pages of reports and studies were analyzed. While we have a number of specific recommendations regarding DNR, one overarching conclusion was unanimously reached by the Task Force. DNR is understaffed and under funded and has cut vital services to the bone. There are few, if any dollars to be saved by increased efficiency and effectiveness. ***It is our strong recommendation that the Administration and the General Assembly must take prompt action to raise additional revenues through new taxing sources, if necessary, to adequately fund and invest in DNR.*** Without a significant and sustained fiscal investment in DNR, the natural, cultural and recreation resources of the state will suffer irrevocable damage.

For far too long the state has failed to invest in protection and maintenance of its resources. Necessary protection of its natural and cultural resources continues to decline due to a lack of staffing and funding. DNR infrastructure needs a major transfusion of funding, lest utility systems, buildings and trails fall into complete disrepair. Training for employees is almost non existent. Succession management planning does not exist. Vehicle fleets average 100,000 miles per vehicle. Replacements for equipment are few and far between and most new vehicles are purchased by the Enforcement Division with other divisions getting those division's 80,000 + mile hand me downs. Over the past two biennia, the Division of Enforcement has also been required to put 100,000 miles on their vehicles before replacement.

This crisis has not developed over the past few years, but has been building for some time as fiscal resources have not kept pace with the needs and added responsibilities and properties of DNR. The task force has observed DNR's attempts to deal with this crisis through a variety of means including consolidation of various management responsibilities, elimination of life guards at all but one property (Indiana Dunes State Park), reduction in mowing and other maintenance needs, establishing a carry in/carry out program to reduce trash collection and aggressively increasing recreation fees. But, there are few places left to extract any meaningful savings or enhance revenues significantly.

The maintenance of quality facilities and the provision of quality recreation services that the public expects has reached the crisis stage. Outsourcing to the private sector of inherently governmental functions such as the protection and interpretation of resources as was done at Wyandotte Caves strikes the Task Force as an unfortunate and unacceptable circumstance of the current and past fiscal crisis. DNR must be provided the necessary resources to fulfill its fundamental responsibility. While the private sector has a significant role to play in DNR operations, it is not in assuming protection and interpretation functions.

The continued commitment, dedication and ingenuity the DNR staff has displayed in the face of these challenges left a tremendous impression on all members of the Task Force. As a result of the recent severe budget cutbacks over the past several years, DNR staff has been forced to continually look hard at their operations and have repeatedly made tough decisions necessary to attempt to maintain adequate services. In the opinion of this Task Force they have done an admirable job in the face of overwhelming economic and political conditions and, individually and as a group are to be commended.

One other area of overarching concern regarding the Department of Natural Resources is its name. When the Department was created in 1965 there was no National Historic Preservation Act, nor did Indiana have the first class State Museum we enjoy today. In the almost 40 years since DNR's establishment, much has changed in the world with much greater emphasis that should and must be placed on cultural as well as natural resources. ***To better reflect the role DNR has today, the Task Force recommends the name of the agency be changed to the Department of Natural and Cultural Resources.*** This will do much to elevate the importance of our cultural as well as natural resources to Hoosiers and our guests.

The Task Force firmly believes it is time to boldly step forward and return DNR to its place of prominence as one of the outstanding resource agencies in America. It cannot be done with band aids; it must be done with adequate staffing levels and additional fiscal resources.

To assist the Administration and General Assembly in reaching that vision for DNR the Task Force is pleased to submit these additional findings and recommendations.

STATE PARKS, RESERVOIRS AND HISTORICAL SITES

Recommendations regarding the Department of Natural Resources, State Parks, Reservoirs and Historic Sites

IV Summary of Testimony

Information on the above areas was gathered by questionnaires, interviews and field trips to DNR properties. In general the information gathered revealed an organization of extremely dedicated, hard working employees severely understaffed and under funded with no incentives for increasing excellence. In spite of these obstacles, employees are dedicated to the Department of Natural Resources, its mission and its goals.

V Committee Findings and Recommendations

In analyzing the 2003 Annual Information Exchange Report for the National Association of State Park Directors, the following information gives a capsule of how Indiana State Parks and Reservoirs compare with the other 49 states.

Number of marinas	3 rd in the nation
Number of lodge rooms	4 th in the nation
Overnight visitors	6 th in the nation
Improved campsites	7 th in the nation
Swimming pools	9 th in the nation
Visitation	12 th in the nation
Starting salary for rangers	47 th in the nation
Starting salary for interpreters	47 th in the nation
Starting salary for field managers	45 th in the nation
Starting salary for field employees	43 rd in the nation
Starting salary for operations chief	42 nd in the nation
Starting salary for Division Director	39 th in the nation

From 1990 to 2004 the number of full time employees in the Division of State Parks and Reservoirs has increased by 12. In that time, the following new properties have been added to the Division to manage:

Falls of Ohio
Charlestown
Fort Harrison
Fort Golf Course and Conference Center
Prophetstown
Mansfield Roller Mill
Colonel Jones Home
Salamonie State Forest

The Historic Sites program has been relegated to being a second class citizen for so long that their budget and personnel function more in a caretaker mode than in providing to

Indiana citizens and guests an understanding of these sites' importance to Indiana history. Forty full time staff operates 14 properties and administers this program. Again, these are dedicated professionals who are working with inadequate fiscal resources to accomplish their mission. The staff at each of these sites can do no more than mow the grass and perform some maintenance. Interpretation and outreach, where it exists, is very limited.

Significant effort has been expended to reduce expenditures, increase efficiency and effectiveness and enhance revenues in all of these program areas. The staff has been pursuing these objectives for a number of years, but as mentioned earlier, there are few additional areas to explore to significantly increase revenue or effect cost savings. ***The specific recommendations that the Task Force has for State Parks, Reservoirs and Historic Sites are as follows:***

1. Equipment

Since July 2001 equipment spending in DNR has been frozen except for emergency approvals for failing equipment. Since that time State Parks and Reservoirs has not purchased any vehicle or mower replacements despite an already old and highly-used fleet. In FY 2004 this division spent just over \$37,000 for equipment, which is a little more than \$1000 per property. Primarily these expenditures replaced failed computers and copiers on just a handful of properties. With an inventory of more than 900 vehicles, 500 computers, 60 mowers, and with telephones, printers, copiers and other office equipment to replace, the Task Force recommends an annual minimum equipment expenditure of one million dollars.

2. Delegate approval of all fees to the Natural Resources Commission

Recreation fees were not raised for a number of years and when they were recently, the raises were significant resulting in a decrease in use. Currently some fees are set by the General Assembly and some by the DNR Commission. It is recommended that the responsibility for setting fees be delegated to the Commission with the proviso that fees must be reviewed annually, adjusted for inflation and comparable charges for like services provided by others and that an annual report be submitted to the General Assembly outlining the action taken by the Commission on fees.

3. Investigate the benefits of a per person entrance fee rather than a vehicle entrance fee

The DNR Commission should be assigned the task of investigating the pros and cons of changing the fee structure of admission to DNR properties to a per person rather than a per car charge. This investigation should also include how to deal with annual entrance passes if a per person fee proves feasible and revenue enhancing.

4. Raise the in house construction limit

Senate Bill 183 was passed by the Senate in 2004 to raise the limit on DNR in house construction to \$75,000. The DNR has some very talented craftsman that can perform some of the construction needed by the Department but the current limit of \$50,000 makes the use of that talent impossible. The Task Force recommends that the limit should be raised to at least \$75,000 and would urge consideration of a \$100,000 limit. The current limit has been in place for over 20 years. Inflation alone would dictate an increase.

5. Enhanced information technology is needed throughout the Department

The Department continues to struggle in providing effective technology to outlying sites. Slow connections create difficult problems for properties that are required to send much of their information to Indianapolis for personnel and purchasing decisions. A simple task such as downloading e-mail can take thirty minutes at some properties. High speed internet access must be a priority for these outlying properties, not only to meet Department of Administration (e-procurement) and other state mandates (Peoplesoft HR), but also to ensure prompt customer service via the centralized reservations system for campsites, cabins, and shelters. High-speed connectivity will improve communications across DNR and with customers. It will enable centralized applications such as GIS, inventory control, facilities maintenance management system that are far more cost effective in a centralized environment than with separate applications at DNR properties across the state. The Task Force recommends that more funding be provided to utilize best available technology in solving this dilemma.

Further, increased use of the Internet by the public mandates that the web sites of DNR be as accurate as possible and contain useful information. At this point much needs to be done to improve the DNR web site. Without additional funding for personnel to continually update the web site, necessary information for the general public will be difficult to obtain.

The Task Force believes improved connectivity will immediately and substantially increase the productivity level of existing staff by eliminating wasted time waiting for computer responses. Creating centralized applications will further increase productivity by eliminating multiple and overlapping data applications within DNR.

6. Maintain the State Museum and Historic Sites current organization

During the Task Force deliberations, there were some individuals interviewed who suggested Historic Sites might receive more fiscal consideration if they were under State Parks and Reservoirs. After further review, the Task Force recommends that Historic Sites remain with the State Museum. There are a number of compelling reasons for this. First, relocating them to another division, does not guarantee any additional funding since the General Assembly would have to appropriate the additional resources. Secondly, the State Museum provides curatorial expertise to the

Historic Sites that is critical to the preservation of their artifacts. Third, the Historic Sites are really an extension of the State Museum in telling the story of Indiana's history.

7. Increased emphasis should be given to Indiana Historic Sites

The Task Force agrees the Historic Sites are inadequately funded, and also believes that the 14 sites and the State Museum do not tell all of Indiana's history. As mentioned earlier, staffing levels are such that the sites are mainly in caretaker status. While efforts have been made to increase partnership opportunities with local communities and historical societies, lack of state funding significantly curtails the ability of the sites to accomplish their mission. Further, there are significant events in Indiana history that are not commemorated in historic sites. The Task Force recommends that in addition to providing adequate funding for current sites, that thematic studies be funded regarding Indiana's history and potential sites be identified for possible inclusion in the historic site program. Examples of thematic studies that might be undertaken include Immigration, Labor, World War II and the American Homefront, Civil Rights, the Earliest Americans, the Evolution of Industry in Indiana and Family Farming to Agribusiness.

8. Better and consistent training is needed for DNR employees

The Task Force believes that many of the changes that are implemented to improve operations in state government and DNR fail because of lack of training, or in some cases, lack of on going training. An example has been the implementation of PeopleSoft. While the idea may have merit, the rollout and training of employees in its implementation has created an atmosphere of distrust and confusion among employees interviewed as well as concern for duplication of existing procedures that are time consuming and not value added. Some employees are still not adequately trained in computer programs that are vital to today's operations. The Task Force recommends an annual training budget be established for the Department with appropriate funding from the General Assembly.

9. DNR concessions

At present, concession operations in DNR are on one or two year contracts while the inns operate under an Enterprise Fund where inn employees are not state employees nor are they concession employees. The Task Force believes there may be greater financial gain if the inns were under long term concession contracts with a professional lodging corporation and if some of the concession operators had longer term contracts with a requirement that capital improvements and maintenance of the inn and concession facilities be part of the contract. The Task Force recommends that DNR be authorized to enter into long term contracts for these inn and concession operations and that at least maintenance of the lodges become the responsibility of the concessionaire. It also recommends that all terms of the leases be enforced and violations be dealt with swiftly.

10. Policies regarding purchasing

There are many policies regarding purchasing that the Task Force believes hinder effectiveness and efficiency. We understand many of these are Department of Administration or Budget Agency policies. Examples include the requirement that parts and labor to repair trucks must come out of operating accounts while parts and labor to repair tractors can come out of preventive maintenance accounts. Many properties are better funded in preventive maintenance than operating dollars so vehicle fleets that are well beyond their useful age continue to deteriorate. The Task Force believes this policy should change so preventive maintenance monies can be used for all truck and vehicle repairs as well.

The Task Force further believes that the requirement to purchase only items that are on Quantity Purchase Awards places a burden on remote properties. In some cases, the item needed can be purchased locally for less money but there is no flexibility within the policies to accomplish that. In addition to cost savings, local purchasing provides another avenue for properties to maintain good local relationships with the local community. There are many other policies that should be reviewed. Opportunity Indiana should assist properties with being good customers in their local communities as well as within the state. It is recommended that a committee of field and central office personnel be assembled to review and recommend specific changes and that the Department of Administration and Budget Agency be responsive to those recommendations.

11. Provide a marketing budget for DNR

It is the Task Force view that additional investment of fiscal resources can result in enhanced revenue in the future. For example, better marketing of the facilities of DNR should attract a greater market resulting in more revenues. At present, DNR spends little on marketing its facilities. It is recommended that the marketing budget be increased by one million dollars annually to reach out to Hoosiers as well as neighboring states to bring more visitors to DNR facilities.

12. Cost savings and revenue enhancing suggestions

The Task Force has a number of suggestions that could result in cost savings to some degree. These include:

- a. Working with the US Department of Energy, conduct energy audits at all major facilities to determine what changes will reduce energy costs.
- b. Investigate creating full service campsites for volunteers who agree to work a minimum of 40 hours a week for at least one month a year in exchange for camping.
- c. Investigate the feasibility of metering and charging for electricity at Class A campsites.
- d. Investigate the feasibility of charging a site differential in state

- campgrounds for those sites more in demand than other sites.
- e. Investigate the feasibility of creating business plans for each major site that realistically look at staffing and funding needs, partnering opportunities as well as ways to insure adequate funding. The business plan model of the National Park Service could serve as a guide.
 - f. Investigate the feasibility of partnering between DNR and the State Universities in a formal memorandum of agreement for the universities to provide scientific research for DNR regarding its cultural and natural resources.
 - g. Investigate the establishment of an Indiana Youth Corps program for high school and college students that would provide summer employment at DNR facilities with resource education a primary part of the program.

Finally it should be noted that current staffing within DNR does not provide for coordination of existing volunteer programs, development of partnerships, grant writing, web development/maintenance, or business and resource planning. New or expanded initiatives will require additional staffing and funding.

FACILITY MANAGEMENT

Recommendations regarding the Department of Natural Resources, Facility Management

IV Summary of Testimony

Information regarding DNR management of facilities was gathered by interviews with staff in the Indianapolis office, site visits to several DNR properties and interviews with property staff, and review of facilities management system information compiled internally by DNR. DNR currently has a central Department fixed asset system that is used for inventory only. This fixed asset system has two components. The first is for land, buildings and structures and was previously handled through the Division of Engineering before it was moved into the current central Department system. Updates to this part of the inventory are handled by the various divisional central offices and reported each quarter to the Auditor of State. Dams located on DNR properties were brought on the system a few years ago to be in compliance with GASB34. Roads and bridges are maintained by INDOT on their inventory system. The second part of the inventory system covers equipment. This includes computers, lawnmowers or any other capital item with a value of \$500 or more. Each division submits the Asset Status Report for posting to the system and reporting to the Auditor of State.

This fixed asset system is admittedly not perfect, with many of the issues apparently related to data entry rather than a structural issue with the system. Due to limitations and lack of understanding of this system, many DNR properties continue to keep and maintain their own inventory records. In some cases it is just because the property manager wants it, other times it is to be able to correct information provided by the system. Many property locations also keep information because of their own needs for additional information not intended to be provided by the Department system.

Asset inventories are intended to be performed at least every two years at every property and each central office location. Because of budget and manpower limitations, DNR has been unable to maintain this schedule although asset inventories continue to be performed as possible. For example, an asset inventory of Pokagon State Park was just recently completed. Property inventories are also performed on a random basis to attempt to continue to correct data entry errors.

The current DNR fixed asset system has little or no capability to track the condition and maintenance needs of assets (facilities and equipment). The last inventory which included a comprehensive review to determine the condition of DNR fixed assets was apparently conducted over 18 years ago. At most DNR properties, the property staff typically conducts periodic visual inspection of facilities and equipment and lists needed maintenance and repairs and estimated costs in order to develop required annual maintenance and repair budgets. However, in many cases determining the actual scope and extent of necessary maintenance and repairs may require professional inspection and/or investigation, which is usually beyond the capabilities and experience of property staff. While the Division of Engineering has professional staff with the ability to provide

the necessary level of inspection and investigation in many cases, as a result of budget cuts and understaffing the Division does not currently possess the manpower and resources to begin to meet this overwhelming demand. In addition, some DNR facilities may be considered historic resources that require special care and application of more advanced procedures and techniques to perform needed maintenance and repairs. In many cases, there is a lack of awareness by property staff that DNR facilities may be of historical significance.

At DNR properties visited by this Task Force, it was determined that over recent years only a fraction of requested annual maintenance and repair budgets have been provided. As a result, these meager available maintenance/repair funds typically are applied foremost to more important facilities and equipment which require major rehabilitation. Appropriation of the limited funds in this manner detracts from preventive maintenance of other facilities and equipment and results in an overall cycle of accelerated deterioration to the point of major rehab. Studies have shown that performing proper preventive maintenance and repair at regular intervals on a facility or equipment item will minimize or significantly reduce major rehab costs and extend the service life.

In general, the Task Force determined that due to lack of adequate budget, staffing, and planning, DNR facilities are being allowed to deteriorate to the point where major rehabilitation or replacement is necessary.

It should be noted that DNR does have preventive maintenance contracts with private contractors for critical equipment at DNR properties including boilers, pumps, heating and cooling systems, fire suppression systems, and other major mechanical systems/equipment. Under these preventive maintenance contracts the equipment is inspected on a regular basis, normal required maintenance is performed, and on-call services for unexpected repairs are provided.

This Task Force determined that implementation of a practical facilities management program for DNR is critical for the following reasons:

- 1) A system is desperately needed that will provide one source for inventory of DNR fixed assets, meets the needs of the Department and users, and reduces the duplicate time and effort involved in separate inventory tracking which presently occurs at properties and within divisions.
- 2) At the present time, determining an accurate estimate of the associated costs to properly maintain and rehab existing DNR facilities and equipment is not possible.
- 3) Without accurate condition and cost information, planning and developing a more practical and efficient department wide program to attempt to prioritize, request, and apply limited available funds and resources is not possible.
- 4) If the current practice of allowing facilities and equipment to deteriorate to the point of major rehab or replacement is allowed to continue, costs to continue safe and productive operation of DNR properties will continue to grow at accelerated rates as greater numbers of facilities and equipment are impacted. In many cases,

this could also result in potential loss of revenue which would further compound funding problems.

The Task Force further determined that implementation of a practical facilities management system would provide the following benefits:

- 1) Provide a database of DNR facilities and equipment including previous maintenance and repair work accomplished
- 2) Assist in prioritizing available labor and funds
- 3) Determine needs and magnitude of required funds and resources
- 4) Assist in preparing budgets
- 5) Provide tracking of costs
- 6) Enable tie-in and updating of other State databases

Other possible applications of a facilities management system would involve non-traditional uses including management of standing timber, prairies, and other environmental, historical, and cultural resources.

V Committee Findings and Recommendations

The Task Force strongly recommends DNR implement a facilities management program. *Following are specific recommendations the Task Force has determined to enable successful implementation of this program:*

- 1. *Perform a comprehensive study to determine associated costs, benefits, and cost savings involved with implementation of facilities management program.***

An internal committee formed by DNR in 2003 reviewed facilities management software products, but was not given the task of identifying all the costs, issues, and benefits associated with successfully implementing a facilities management system. Many of the issues associated with implementing a facilities management program, as they pertain to DNR's specific needs and requirements, remain unknown. The Task Force recommends that a comprehensive study be performed to demonstrate the costs and benefits associated with implementation of a facilities management system. This will provide all stakeholders, including the users, of the system input and a sense of accountability. This study would also provide the General Assembly and taxpayers necessary information to support implementation of a facilities management program.

- 2. *All costs associated with facilities management program need to be line items in the DNR budget***

The Task Force recommends that all associated costs for implementation of a facilities management program be provided as specific line items in the DNR budget. Adequate funds must be dedicated to all aspects of the program for it to be successful. In the event that adequate funds are not appropriated or are diverted from

the project for any reason, successful implementation of the program will be jeopardized.

3. Implement a pilot facilities management study

The Task Force recommends that prior to attempting to implement a facilities management program department wide at all DNR properties, a limited pilot program should be developed. This pilot program should incorporate several properties representative of different Divisions, locations, and other factors. Implementing such a pilot program would provide an opportunity to identify and correct issues and problems prior to a full-scale implementation of the program.

4. Provide property staff input into the development, operation, and maintenance of the facilities management system

The Task Force recommends that DNR property staff be provided input into all aspects of the facilities management system. Property staff will be the principal users of the system and will play a large role in the successful implementation and use of the system. It is critical to the success of a facilities management system that property staff representatives be adequately represented in all aspects of the program.

5. Provide appropriate levels of training and support

The Task Force recommends that users be provided necessary levels of training and support and that adequate funding and resources be dedicated to this effort. This training is critical to the success of the program. The task force found funds have been provided in the past for software to implement programs, but little or no funding was provided to train not only existing staff, but new staff hired in subsequent years. This funding requirement needs to be an on going commitment and not a one time expense.

PERMIT PROCESSES

Recommendations regarding the Department of Natural Resources, Permit Processes

IV Summary of Testimony

Information regarding DNR regulatory responsibilities and permit review processes were gathered by questionnaires and interviews. The DNR Divisions which have regulatory jurisdiction and responsibilities designated by statute include: Division of Water; Division of Reclamation; Division of Historic Preservation & Archaeology; Division of Fish & Wildlife, Division of Forestry; Division of Oil & Gas, Division of Entomology and Plant Pathology; and Division of Soil Conservation. In general the information gathered revealed permit processes that were well organized with dedicated and experienced staff, but in several cases understaffed and under funded. In all cases there were no incentives to reward higher levels of performance. Many of the divisions have previously undertaken one or more internal, and in some cases external, studies to determine and implement organizational and efficiency improvement measures.

Following is a brief outline and summary of each regulatory division:

Division of Water

The regulatory function of the Division of Water involves application and administration of laws concerning Indiana water resources issues including streams and lakes. The Division's responsibilities include regulation, permitting, inspection, assessment and licensing. The Division implemented internal re-organization of permit processes in 1999 based on an independent review. The current staff of 33 reviews an average of 700 permits annually, including floodway and lakes permits. The estimated cost for an individual floodway permit review is approximately \$1,100 (not including environmental review) and the recently increased fee (approved by State Legislature in 2003) for floodway permit applications is \$200. The Division has developed published guidelines for permit applications, hydraulic modeling, and dams and levees. In addition, over the past several years the Division has stopped performing services that were previously provided free of charge including floodway analysis and regulatory assessments (FARA's), and hydraulic modeling assistance.

Division of Reclamation

The Division of Reclamation has two primary responsibilities: Regulatory and Restoration. The Regulatory Program oversees active coal mining operations and reclamation of land disturbed by that mining. The Division has a unique and challenging responsibility of striking a balance of protecting citizens and the environment from the potentially adverse effects of surface coal mining operations while at the same time serving the need for coal as an essential energy source. The Restoration Program reclaims areas disturbed by coal mining for which there is no longer anyone responsible for their reclamation under state or federal law. The Division reviews statutory authority from the Indiana General Assembly under IC 14-34, the Indiana Surface Mining Law.

Funding for Division permit processes is derived from State coal tax fund (5.5 cents/ton). Division staff reviews approximately 12 permits annually. The typical review time for each permit application is 6 months and the estimated staff time cost is \$12,000 per permit.

Division of Historic Preservation & Archaeology (DHPA)

The DHPA was established in 1966 as a result of the National Historic Preservation Act of 1966, which mandated that each state appoint a State Historic Preservation Officer (SHPO). In Indiana the Director of the DNR serves as the designated SHPO and the Director of DHPA serves as deputy SHPO. The DHPA staff consists of about 20 people, including professional preservationists, historians, and archaeologists, interns, and support staff. Within the DHPA there are five sections or Program Areas including: Archaeology, Architectural Services and Tax Credits, Grants and Administration, Historic Structures Review, and Registration and Survey. Section 106 of the Historic Preservation Act of 1966 require that whenever any federal agency proposes to conduct, fund, license, grant a permit for, or otherwise approve an undertaking (a program, project, or activity) that by its nature has the potential to affect historic properties, the federal agency must conduct a review of the proposed project's effects in conjunction with the SHPO and, other certain circumstances, with another federal agency, the Advisory Council on Historic Preservation (the Council), and other interested individuals or organizations. If there are historic properties that will be affected, then the federal agency must take into account the undertaking's effects on historic properties before approving the undertaking and give the Council a reasonable opportunity to comment on the federal agency's findings. Section 106 is not a permitting process; rather, it is a process of good faith consultation and comment. Within the DHPA, the Archaeology Section and the Historic Structures Review Section share the Section 106 review work. Under the Advisory Council's current regulations, which took effect January 2001, the federal agency may authorize the applicant or consultants to gather information on properties that might be affected by the undertaking and to exchange information with the SHPO.

Sections 14, 16, and 18 of Indiana Code 14-21-1 collectively provide protection to historic properties on state-owned or state-leased land or to historic properties that are listed in the National register of Historic Places or the Indiana Register of Historic Sites and Structures and that will be altered, demolished, or removed using state funds.

DHPA has approximately 30% of the appropriate staff necessary to conduct reviews. Eighteen staff members are available to conduct reviews, seven of whom are project managers. The Division is requested to review approximately 50 – 75 projects a week, all federally funded projects, and receives approximately 2,000 submissions per year.

Division of Forestry

The Timber Buying Licensing Law, IC-25-36.5, was sponsored by the Indiana Hardwood Lumberman's Association and passed by the 1972 General Assembly. An article of this law, concerning occupational licensing, resulted in a regulatory requirement to register timber buyers administered by the Department of Natural Resources (DNR). The Division of Forestry was designated the responsibility of administering this law for DNR.

The purpose of the law is to protect timber growers from fraudulent acts by timber buyers in Indiana, specifically wrongful cutting activities. The law was amended in 1975, 1981, 1982, 1983, 1987, 1988, 1993, 2001 and 2003. The cost of a license was raised from \$100 to \$125 in 1003. An average of approximately 630 licenses are issued annually, and staff involved includes a Timber Buyer Licensing Forester (approximately 75% of his/her time) and one clerical support person (approximately 20% of his/her time). The program is currently totally self sufficient from license and agent cards.

Division of Entomology and Plant Pathology

The Division of Entomology and Plant Pathology is Indiana's first line of defense in intercepting exotic plant pests and establishing regulatory responses to introductions of exotic, new, or not widely established agricultural pests. The Division works closely with the United States Department of Agriculture to survey and mitigate exotic plant pests introduced through trade or through intentional acts of agricultural bioterrorism.

The Division is responsible for administering Indiana's plant health protection laws (IC14-24) to protect Indiana forests, landscapes, corn, soybeans, and related agricultural and horticultural plants, and recreational areas from exotic pest threats and to facilitate trade of agricultural commodities, grains, timber, and honeybees. The division accomplishes its goals by the performance of pest surveys, inspections and certifications of plants and plant commodities for pest free movement of Indiana commodities in domestic and international trade. The scope of work includes certification of some 550 production nurseries and Christmas tree growers, 4,000 dealers of nursery stock and oversight of pest movement and pest research permits including permits for agricultural plant biotechnology and general pest permits required for new product development. The division certifies agricultural commodities to some seventy countries around the world. The Division serves the nursery industry (including 550 production nurseries and Christmas tree growers), research and educational institutions, 4000 nursery dealers, seed companies, florist plant growers, and the general public through certification, surveys, and control of exotic pests and diseases.

Division of Soil Conservation

The Division of Soil Conservation's primary missions are to: 1) conserve Indiana's soil and water resources, and 2) improve water quality by reducing soil erosion and sedimentation. The Division administers statewide, comprehensive programs to provide technical, educational, and financial assistance to land users through the 92 soil and water conservation districts (SWCDs) and to local entities for lake and river enhancement. The Division's work has been targeted historically to Indiana's 68,000 farm owners and operators. In recent years, the Division's focus has included an increasing number of urban land users, developers, contractors, local planning officials, health departments, landfill operators, and lake associations in response to high demand for technical assistance in urban and recreational venues.

Division of Fish & Wildlife

The Division of Fish and Wildlife sold its first hunting license in 1901 for \$1. A license to fish was authorized in 1913 when it was added to the hunting license at no extra cost.

Indiana Code 14-22-12 governs the sale of hunting and fishing licenses in Indiana. The department's license unit contains seven employees that are responsible for 950,000 licenses sold to 886,000 sport enthusiasts at 760 licensing agent locations throughout the state. There are over 30 hunting and fishing license types sold. The basic fishing license for \$14.25 and the deer license for \$24 are the largest sellers making up more than half of the overall sales. Revenue from the sale of hunting and fishing licenses is deposited in the dedicated Fish and Wildlife Fund that is used to fund the division's operating budget.

The Division of Fish and Wildlife also requires permits (licenses) for the possession, collection, breeding, and selling of fish and wildlife in Indiana. Some permits have been in existence for over 30 years, while others have been added in recent years to deal with new situations and to protect native populations. Over 3,500 permits are issued each year with annual revenue exceeding \$150,000 from their sale. The revenue for these permits is deposited in the fish and wildlife fund as required by law. Individuals complete application forms to obtain a permit. Some permits require a fee. Some permits require an inspection by a conservation officer before a permit can be issued. Almost all permits are issued in the Indianapolis office by the commercial license clerk. The commercial license clerk processes more than twenty (20) different types of permits. In addition, the operations staff specialist reviews and approves approximately fifteen (15) different types of permits; two fisheries staff specialists review five different types of permits, and ten (10) district fisheries biologists and their two supervisors review several of these permit applications. Conservation officers are required to do inspections for several types of permits on an annual basis. Several permits have corresponding federal permit requirements, including those for federally endangered species and federally protected migratory birds. Efforts have been made to change and simplify application forms. Several groups of stakeholders have been established to gather input on the revision of regulations. Educational programs have been given at meetings throughout the state with permit holders and conservation officers. Handouts of flowcharts have been developed to provide the public with information on the permitting process. These permits are critical to the protection and welfare of our fish and wildlife resources. A great deal of time is given to the review and administration of them within the Division of Fish and Wildlife.

Division of Oil & Gas

The Oil and Gas Act was passed in 1947 and the Division was originally established as part of the Indiana Geological Survey in 1949. In 1951 the division was moved into the Indiana Department of Conservation. The original charge of the division was to protect the correlative rights of mineral rights owners and enforce proper resource conservation practices. In the early 1980's the principal emphasis of the divisions' regulatory programs began to shift towards environmental protection. However, while the majority of the divisions' current rules deal with protection of underground sources of drinking water and the surface environment, the division still maintains correlative rights and resource conservation program elements. To protect groundwater, the division implements a program called the underground injection control program, which was delegated to the division by the U.S. Environmental Protection Agency in 1989. Overall division authority is derived from the Indiana Code (IC 14-37). Under this statute, the

division issues permits to drill, operate and convert wells for oil and gas purposes. Currently the division issues about 300 of these permits each year. In addition to the permitting of wells, which is conducted by an Assistant Director and 2 Petroleum Geologists the division conducts inspections of existing wells, monitors the testing of wells, witnesses the plugging and abandonment of wells and responds to reports of oil and saltwater spills and complaints of groundwater contamination related to oil and gas field operations. These activities result in over 6,000 field visits to well and surface facility sites each year by a staff of 8 Field Inspectors. The divisions Orphan Sites program, managed by an Assistant Director, is responsible for the plugging and abandonment of approximately 50 improperly abandoned wells annually. The division has a total of 19 employees including a Division Director. Of these, 1 is dedicated to oil and gas well permitting and 2 are dedicated to injection well permitting. The division maintains a field office in Evansville that is staffed by an Assistant Director, Field Inspection Manager, Field Geologist, Administrative Assistant and 6 Field Inspectors. The remaining 2 Field Inspectors report to the Indianapolis office. The division also has an IT Administrator, Office Manager and Account Clerk. The division receives its principal funding from a severance tax on oil and natural gas and from permit fees, which were increased during the 2002 legislative session by 150%. These dedicated funds are augmented by general funds to make up the balance of the divisions operating budget. However, funding for operation of the orphan sites program comes from an annual well fee and from the collection of civil penalties for non compliance.

V Committee Findings and Recommendations

DNR regulatory permits are critical in protecting both the natural and cultural resources, and also the health and safety of the citizens, of Indiana. However, processing and review of regulatory permit applications in a reasonable, timely, and consistent manner are equally important to many businesses and property owners. Delays in regulatory permit process and review procedures can have adverse effects on Indiana businesses attempting to grow and establish new jobs and tax bases, and in new or out-of-state businesses considering Indiana as a possible location for their facilities. At the present time some regulatory divisions are performing permit processes and reviews without sufficient numbers of and experienced personnel. Throughout the Department, there are also no current incentives or rewards for staff who constantly achieve higher performance rates.

Prior to, and especially during recent budget cuts, significant effort (both internal and external) has been expended throughout the Department in an attempt to reduce expenditures and increase efficiency and effectiveness of permit processes. Although efforts to continue to reduce expenditures and increase efficiency and effectiveness should be maintained, significant improvements should not be anticipated without some fundamental changes to current Department policies and procedures. The specific recommendations that the Task Force has for permit processes are as follows:

- 1. Increase permit fees and dedicate those funds to improving permit processes***

Current permit application fees for many of the regulatory divisions do not begin to compensate for the staff time, professional expertise and experience, training and other resources necessary to provide quality permit process and review in a timely and efficient manner. The Task Force recommends that average annual permit process and review costs for each regulatory division and specific permit type and classification be determined in a uniform and consistent manner. Based on this information individual permit fees should be established which, at a minimum, provide compensation for at least a minimum percentage of these costs.

The Task Force further recommends that permit application fees collected, as appropriate, be placed in a fund(s) dedicated to providing adequate staff, training, equipment, and resources for Department regulatory permit processes and reviews.

2. Delegate approval of all permit fees to the Natural Resources Commission

Currently some permit fees are set by the General Assembly and some by the DNR Commission. This Task Force recommends that the responsibility for setting permit fees be delegated to the Commission with the proviso that permit fees must be reviewed annually, adjusted for inflation and that an annual report be submitted to the General Assembly outlining the action taken by the Commission on permit fees.

3. Provide fast-track permit reviews

In most situations, permit applications are routinely processed as they are received with little regard to the nature and size of the proposed permitted activity. As a result large complex permit applications, which may involve significant financial considerations and impacts, receive basically the same treatment as a simple application from an individual property owner. There appears to exist in the Department a long-standing policy to be as responsive to small or individual applicants and their projects as to larger applicants and their projects. While this policy is commendable, it may not best utilize limited available resources and serve the needs of all citizens of Indiana.

This Task Force recommends that implementation of a fast track permit review process be examined and implemented in order to provide quicker initial review and response in return for a higher permit application fee. This would enable business or property owners, for whom time is especially critical, to have their permit applications receive more immediate attention and consideration.

4. Develop written permit application guidelines

Several regulatory divisions have developed written guidelines for their respective permit processes. These guidelines have proven to assist permit applicants in preparing and submitting required information which reduces the subsequent time and paperwork required for staff to handle incorrect or incomplete applications. These guidelines also can assist permit reviewers to be more consistent in their

reviews by more clearly outlining regulatory policies and procedures. The Task Force recommends that all regulatory divisions develop and maintain current published guidelines for their respective permit processes.

5. Provide performance incentives

At the present time there is no incentive or reward provided for permit review personnel who consistently perform at a higher level than other personnel. The Task Force recommends that standards for permit review processes be established and a performance based review process be implemented which includes incentives and rewards for better performance.

6. Combine and utilize professional resources as possible

Staff with professional classifications such as biologists, botanists, geologists, and engineers are present in other Departments. In many cases, the functions they perform are similar. The Task Force recommends that an effort be made to identify these professional resources and determine ways to utilize personnel from other Departments to provide flexibility and address situations of increased permit review workloads.

6. Address lack of enforcement

Present enforcement efforts to determine that activities received required permits, or that permitted activities occur as approved, are lacking and inconsistent at best. This is primarily due to lack of adequate funds and resources but any significant emphasis on this function appears to also be lacking. The considerable effort undertaken to process and review permits required by statute is meaningless unless the terms and conditions of each issued permit are carried out. In the event the terms and conditions of each issued permit are not fully carried out, protection of natural resources and/or the health and safety of citizens can be compromised. The Task Force recommends that 1) enforcement be made a high priority, 2) appropriate documentation that permitted activities were as approved be required, and 3) adequate funding be provided for these items.

7. Improve ability to share technology with other Departments

Currently, the ability to share technology across State agencies is limited or non-existent. For example, GIS information such as wetland inventory and endangered species maps cannot be shared between IDNR and IDEM because their respective system servers are unable to communicate. This inability to share information results in duplicity and inefficiency throughout State government. The Task Force recommends that this critical limitation to share technology across State agencies be eliminated.

8. Adjust permit requirements to conform to current technology

In some cases, notarization of permit applications is required for specific permit submittals. However, this requirement precludes Internet access for on-line permit applications. In cases where such a requirement exists which limits or prevents use of Internet access, it should be determined if that requirement remains appropriate. The Task Force recommends, as possible, these requirements should be revised or eliminated to enable full use of Internet access for permit applications wherever possible.

THE INDIANA NATURAL RESOURCE FOUNDATION

DEPARTMENT OF NATURAL RESOURCES
INDIANA NATURAL RESOURCES FOUNDATION

AUGUST 25, 2004

One of the areas the task force determined to study was the operations of the Indiana Natural Resource Foundation (the Foundation), its operations, and if there were any opportunities to enhance the funding of this mechanism as well as its operations in order to spur private investment in maintaining the natural resources within the state of Indiana.

The scope of our work was to include an analysis of the operations of the Foundation, its general funding sources and make any recommendations that we felt would be prudent to consider in enhancing its ability to serve the citizens in the state of Indiana. We initiated our study with a meeting of Mr. John Goss, the Director of the Indiana Department of Natural Resources. We identified additional persons within the natural resources community to interview related to the operations of the Foundation.

Shortly thereafter, we were notified that the leadership of the Foundation itself had organized its own task force to study its operations and develop a scope of study which was parallel to ours. This task force was able to marshal significant resources from the legal community, as well as other interested parties in connection with the environmental and natural resources to do a significant amount of work in a relatively short period of time. This task force included roundtable assemblies throughout the state in a number of critical locations and included a far more encompassing study of the Foundation and the operations included therein.

Inasmuch as the work of the Indiana Natural Resources Foundation Task Force was very similar to the work of this task force study group, and taking into consideration that they had a greater amount of resources to study the issues, we incorporate their recommendations as it relates to improving the work of the Foundation by reference to their report.

The Indiana Natural Resources Foundation Task Force issued their report and their findings dated August 24, 2004. We are including their report and recommendations by reference herein. This reference and inclusion as a part of our report is with the permission of that task force.

Members of the Department of Natural Resources Task Force of the General Efficiency Commission commend the work of the Foundation's Task Force. We concur with the conclusions reached.

However, we also wanted to confirm our strong belief that any "restructuring" of the Foundation's overall operations should include a "public sector" foundation facility, as well as a "private sector" foundation.

We believe that the flexibility and alternative funding opportunities would be maximized under this dual operating foundation approach.

We believe the additional opportunity of establishing a private sector foundation, focusing on enhancing the natural resources within Indiana would only complement (and expand) the objectives of the original Indiana Natural Resources Foundation.

Report to The Indiana Natural Resources Foundation

**Presented by
The Indiana Natural Resources Foundation
Task Force**

August 24, 2004

Task force final doc2 8/6

CHALLENGES AND OPPORTUNITIES FOR THE NATURAL RESOURCES FOUNDATION IN TODAY'S ECONOMY

Changes in the State and National economic climate, including a recognition of smart growth/smart business, have cast a new light on conservation and preservation. At the same time, there are a number of opportunities to preserve and protect Indiana's Natural Landscapes and Hoosier Landmarks that are beyond the funding reach of the Foundation.

- The Indiana Natural Resources Foundation has recently been approached by several not-for-profits and conservation advocates to participate in new opportunities to acquire property and provide financial support to state parks
- However, the Foundation does not have the resources to take advantage of these mission-fulfilling activities
 - The Foundation has limited staff to direct towards Fundraising
 - The Foundation cannot tap into significant grants from private foundations because these foundations do not to give money to Section 115 organizations
 - Limited investment choices required by State of Indiana yield little interest income – and pose a disincentive for major donations
- Furthermore, as Indiana competes for new business in the 21st century, research has shown the interdependence of economic and community development, a key component of which is conservation and preservation
- Consequently, as Foundation Trustees considered the limitations on fund-raising questions due to its legal status, they decided to initiate a Task Force to consider how the Foundation could best promote and preserve Indiana's natural heritage in today's world

MISSION OF TASK FORCE

A State-wide Task Force, including representatives of the Foundation, Local Communities and Conservation and Preservation organizations, was appointed to consider these opportunities and challenges, and to make recommendations to the Foundation.

- The charge to the Task Force was as follows:
 - To gather information from conservation and preservation organizations and local leaders regarding collaborative opportunities that may be available to the Foundation in order to leverage resources and expand capabilities to promote and preserve Indiana's Natural Heritage and Hoosier Landmarks
 - To evaluate the Foundation's legal structure from a federal tax perspective to determine if the Foundation is positioned to take full advantage of collaborative opportunities regarding property acquisitions and supporting ancillary activities
 - To make recommendations so that the Foundation can position itself:
 - To take full advantage of existing and future opportunities
 - To maximize the Foundation's ability to acquire assets and manage resources to preserve and promote Indiana's Natural Heritage and Hoosier Landmarks
- The Task Force set an aggressive time table to complete the above tasks within a three-month time frame and make recommendations by August 24, 2004

OVERVIEW OF TASK FORCE ACTIVITIES

To better understand the opportunities and challenges, the Task Force convened Community Roundtables; conducted interviews with local governments and community leaders; undertook research regarding local, state and national trends; and appointed outside counsel to evaluate the tax structure and tax-exempt considerations.

- Six Community Roundtables were held in Fort Wayne, Terre Haute, Indianapolis, Merrillville, Evansville and Marion
 - Twelve-fifteen community members were invited to participate in each Roundtable
 - Each Roundtable was hosted by Task Force member(s)
 - Executive Director of Natural Resources Foundation gave history and overview of Foundation
 - Ninety minute discussions were facilitated by Jan Hillier, a management consultant, and generated a growing list of needs, issues and recommendations from each region
 - Appendix A contains a summary of each Roundtable and a list of participants, an interim Roundtable report, a summary of the projects that participants identified and recommendations from each of the Roundtables
- Numerous telephone interviews were conducted by a Research Committee (attorneys volunteering from the law firms of Bingham McHale LLP; *Krieg DeVault; and Plews, Shadley, Racher and Braun) to explore what communities are doing to create, improve or revitalize their natural amenities for the purpose of economic development
 - Two questionnaires were developed by the Research Committee: one for business and community leaders and one for government and public officials
 - The Research Committee attempted to attain geographic balance; urban/rural representation; growth and non-growth communities, and manufacturing v. service/knowledge industries
 - Appendix B contains the Research Committee Report
- The Foundation tax structure was analyzed
 - A tax attorney from Baker and Daniels provided an analysis of the Section 115 status of the Foundation's tax status and provided recommendations

- Appendix C contains the General Tax Exclusion/Exemption Report
- Task Force Members contributed to the research efforts to identify conservation and preservation opportunities and trends at local, state and national levels
 - Appendix D – General Information and Background Articles on Indiana Conservation, Preservation, Park and Greenway Initiatives
 - Appendix E – General Information: Smart Growth/Economic Development Background Reports

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HIGHLIGHTS - COMMUNITY ROUNDTABLES

Nearly one hundred Hoosiers from around the State participated in Community Roundtables. They expressed an overwhelming desire and need for additional support to achieve the mission of the organizations they represented.

- The greatest need identified in all regions is for financial support
 - Contribute funds for matching grants
 - State sent back \$600,000 because they couldn't meet deadline to come up with matching funds
 - Cumberland may lose \$500,000 for greenways because they do not know how to get matching funds
 - Gary greenlink project is in jeopardy because matching money from state is questionable
 - Calumet flood control project has languished for 20 years due to lack of matching funds
 - Offer short and long term loans
 - Provide money for land trusts
- Assistance in developing natural amenities within the state was frequently mentioned
 - Provide walking, biking, hiking trails
 - Make an industrial park environmentally friendly by planting trees, gardens and building ponds
 - Buy land for parks
 - Assist in coordination of land acquisitions such as Save the Dunes
- Stemming the loss of land to development and sprawl was another priority
 - Reforest a 4000-acre tract of Wabash River flood plain to improve air quality
 - Save and renovate historic schools rather than building new ones
 - Help protect land
 - Identify land before it goes on the market
 - Create more mechanisms to enable land protection
 - Increase awareness so that people can make different choices
 - Protect farm land from development

HIGHLIGHTS - COMMUNITY ROUNDTABLES, CON'T.

- Raising awareness of the public, elected officials, and community leaders will drive success
 - Highlight benefits of conservation and preservation
 - Conduct studies showing conservation/preservation link to business development/community development
 - Address issues of constituent groups who oppose or have concerns
 - Engage the public in dialogue about the benefits of conservation and growth
 - Close the disconnect between citizens and planners
 - Address the question "why would we want or need to do anything differently here?"
 - Inform farmers about programs that are available
- The disappearance of our natural landscapes and historical/community landmarks create a sense of urgency
 - Provide more state-wide and national publicity for the quality of life in Indiana around the country
 - Aggressively market the state
 - Take advantage of the new focus on the Great Lakes
 - Develop public/private partnerships at the state level

HIGHLIGHTS - RESEARCH COMMITTEE REPORT

Interviews revealed that while government officials and public leaders understand the growing importance of conservation/preservation projects and community development, the lack of an integrated approach, insufficient infrastructure and decreasing revenue inhibit conservation and preservation efforts

- Officials express pride in their communities but feel their hands are tied with today's economic conditions
 - Lack of expertise and resources inhibit development of partnerships and collaboration to enhance conservation efforts
 - Communities are expected to deliver same services at less cost
 - Tax assessments are resulting in budget cuts
 - Public officials also lament that they do not have the funds to secure federal matching dollars
- However, prototypes do exist within the State to serve as models of a strategic planning process that integrates natural amenities in support of economic development
 - Valparaiso has developed a plan that links natural amenities to community and economic development
 - Identifies street thoroughfares - signature corridors - as natural assets because they serve as a medium to highlight other natural and cultural assets
 - Locates parks department, economic development commission and chamber of commerce in one location so businesses have "one stop shopping" when visiting Valparaiso on exploratory visits
 - Lafayette/West Lafayette community has made itself attractive to knowledge workers
 - Identified ways to preserve and promote natural and cultural amenities in their community
 - Established public/private partnership
 - Includes government, business and university leaders
 - Uses private foundation dollars, federal grants and state dollars
 - Redeveloped historic structures downtown & developing Wabash riverfront through downtown
- Community leaders' desire for additional financial and technical support is consistent with information obtained in the Roundtables. Valparaiso and Lafayette/West Lafayette provide models of what can be done with vision, planning and dedicated resources.

LEGAL LIMITATIONS ON ACTIVITIES OF NATURAL RESOURCE FOUNDATION

The Foundation is currently considered a "Section 115" tax-exempt organization. This designation, along with certain statutory requirements limiting activities and investments, limit the Foundation's ability to engage successfully in large-scale Fundraising.

- Designation by IRS as Section 115 tax status
 - Foundation's income is tax-exempt so long as Foundation "exercises an essential government function and its net income accrues to a state or political subdivision"
 - Major Disadvantage is that other private foundations generally do not grant money to a Section 115 organization because the IRS requires so much oversight and recordkeeping for such grants
- Statutory authority limits activities and investments
 - Foundation's money is subject to State's conservative investment policy.
 - The Foundation's statutory authority defines its purpose as: (i) acquiring real and personal property, and (ii) donating such property to DNR or local unit of government.
- Conclusion – As it is currently configured, the Natural Resources Foundation is not able to raise the significant dollars or engage in the broad-based activities for promoting and preserving Hoosier Landscapes and Landmarks

CONSIDERATION OF ACCOMPLISHMENTS/BENEFITS OF NATURAL RESOURCES FOUNDATION AS CURRENTLY SET-UP

Mission

The Indiana Natural Resources Foundation was created by the Indiana General Assembly in 1990 (IC 14-12-1-1) to promote, support, assist and encourage the charitable, educational, and scientific programs, projects and policies of the Indiana Department of Natural Resources.

Structure

The 12-member board is appointed by the Governor:

- 1 representative from each Congressional district and
- 3 at-large members.

The Foundation board also makes up the Indiana Heritage Trust "Trust Committee."

Projects

The Indiana NRF has sponsored several projects, including:

- Environmental License Plate marketing efforts
- Col. William Jones State Historic Site Endowment
- Statewide Environmental Good Turn Day
- Judy Burton Nature Preserve
- John Oxley Memorial Trailhead to the Knobstone Trail
- Pisgah Marsh (Boardwalk)
- Indiana State Museum Foundation(Exhibits)
- John A. Hillenbrand II Fish & Wildlife Area
- Interpretive Trail Signage, Turkey Run State Park
- McCormick's Creek State Park Friends Group
- Turkey Run & Shades State Park Friends Group
- Publication of William B. Barnes' book
- Indiana Non-Game Program
- Conservation easement on former IPL lands

- Creative Financing Award by the Indiana Parks and Recreation Association for the NRF credit card(1998)
- Named Conservation Organization of the Year by Indiana Wildlife Federation (2002)

**OPTIONS – CONSIDERATIONS RE:
FEDERAL TAX EXEMPT ORGANIZATION STATUS**

For the Foundation to position itself (i) to take full advantage of existing and future opportunities, and (ii) to maximize the Foundation's ability to acquire assets and manage its resources so Indiana can best promote and preserve its Natural Heritage and Hoosier Landmarks, two options emerged from the work of the Task Force.

- Transform the Foundation into a typical not-for-profit (i.e. a 501(c) (3) public organization)
 - Advantages
 - One advantage is that it would maintain the name and goodwill of the current organization
 - Disadvantages
 - This would require a number of time-consuming steps and potential barriers, including the loss of the Natural Resources Foundation as it currently exists
 - This would require changing the Foundation's authorizing statute
- Create a new tax-exempt "Supporting Organization" with the DNR/Natural Resources Foundation as a founding member
 - Description of legal/tax characteristics of "Supporting Organization"
 - Purpose is to assist and support other public charities (and including governmental entities)
 - Typically chartered to be under the direct supervision and control of the public charities it serves
 - Exempt from Federal income tax as an IRS 501(c)(3) organization
 - Considered "public charity" (vs. private foundation) and thus, eligible to receive money from private foundations
 - Advantages
 - Gives the new organization the most flexibility to address the many pressing needs that have been identified
 - Disadvantages
 - Requires start up costs--both financial and organizational

RECOMMENDATIONS OF NATURAL RESOURCES FOUNDATION TASK FORCE

Based on the needs expressed by conservation and historic preservation organizations, as well as civic and community leaders, we recommend the formation of a new not-for-profit "Supporting Organization"

- (i) with a Board of Directors consisting of a majority of representative member organizations with a focus on, or interest in, conservation or preservation of Indiana's unique natural and historic landscapes and landmarks, as well as Indiana's parks and greenways and other outdoor and natural amenities; and
- (ii) empowered to support and advance the needs of its constituent members, including the mission of the Department of Natural Resources/Natural Resources Foundation

The purpose of this Recommended Supporting Organization would be to support and advance existing organizations whose missions are served by the creation, development, maintenance or promotion of Indiana's natural heritage, historic landmarks, unique Hoosier landscapes, as well as recreational parks and greenways; the initial activities envisioned for this organization should include:

- Pursuing an aggressive campaign to create a \$5-10 million Venture-Capital Fund for projects advanced by local communities, state, and state-wide conservation and historic preservation organizations
- Establishing network/technical advisory support services for Indiana communities and organizations pursuing conservation/preservation projects
 - Serve as a clearinghouse
 - Disseminate relevant information to ongoing preservation and conservation efforts as appropriate
 - Develop and update a "natural amenity" data base
 - Create website

- Enhance networking, coordination and communication among served organizations
- Convene forums with appropriate parties and organizations on statewide issues
- Developing Programs to:
 - Develop an aggressive public relations and media campaign to showcase Indiana's natural heritage and Hoosier natural and historic landmarks
 - Market the benefits of conservation and preservation on a state-wide basis, including potential impact on retention of college graduates and recruitment of emerging knowledge-based workers
 - Educate citizens, government, foundations, business leaders, community leaders about the connection between conservation and attracting business to the community

We further recommend that the Indiana Natural Resources Foundation help launch this organization

- This new Supporting Organization can engage in complimentary and collaborative activities that are critical to the success of the mission of the Foundation but that are beyond the Foundation's mandated activities
- This new Supporting Organization allows the Foundation to serve its mission with much greater resources (money and programs) than currently available to the Foundation
 - The efforts of the Foundation and its Task Force have created a momentum for addressing the Foundation's mission

We also recommend the formation of an Implementation Task Force with an Executive Committee

- A Department of Natural Resources/Foundation representative would be an integral part of this Task Force
- Other proposed members include representatives from The Nature Conservancy, The Historic Landmarks Foundation, Indiana Grantmakers Alliance, the Indiana Association of Cities and Towns, The Association of Indiana Counties, Indiana Parks and Recreation Association, and Indiana Land Protection Alliance, as well as Community Leaders who are dedicated to conservation/preservation projects
- A National Advisory Council should be appointed
- Partnerships should be built with Indiana's colleges and universities, including university faculty, administration and alumni